

Message Text

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PAGE 01 SANTIA 03475 032326Z

64

ACTION ARA-20

INFO OCT-01 ADP-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 OMB-01 NSC-10 SS-15 STR-08 CEA-02 L-03

PA-03 PRS-01 USIA-15 RSR-01 /152 W

----- 003998

R 032249Z AUG 73

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 5102

C O N F I D E N T I A L SANTIAGO 3475

PASS OPIC

E.O. 11652: GDS

TAGS: CI, EAID, IBRD, EFIN

SUBJECT: ALFONSO INOSTROZA'S VIEWS ON VARIOUS ECONOMIC/
FINANCIAL QUESTIONS

1. I HAD LUNCH WITH ALFONSO INOSTROZA TODAY, RESPONDING TO HIS REQUEST TO ME TO GET TOGETHER AND TALK. INOSTROZA'S MAIN PITCH WAS TO PARALLEL THE APPROACH ORLANDINI MADE TO ME ABOUT PENDING IBRD LOANS (SANTIAGO 3280). INOSTROZA SAID HE ALSO MADE ESSENTIALLY THE SAME ARGUMENT TO ASSISTANT SECRETARY HENNESSY IN WASHINGTON SEVERAL DAYS AGO. INOSTROZA SAID HE RECOGNIZED WE WOULD HAVE TO VOTE AGAINST THE LOAN, BUT ASKED THAT WE AT LEAST NOT LOBBY AGAINST IT. HE SAID THAT THE LOAN WAS NOW EXPECTED TO COME BEFORE THE IBRD DIRECTORS IN EARLY SEPTEMBER.

2. INOSTROZA EXPRESSED OPTIMISM ABOUT THE PROSPECTS FOR SETTLING THE BANK OF AMERICA/ARAUCO QUESTION ON THE BASIS OF RENEGOTIATED PAYMENTS, SAYING HE WAS WORKING ON THIS MATTER HERE IN SANTIAGO. HE CLAIMED TO BE WORKING ON SEVERAL OTHER OPIC-RELATED MATTERS DISCUSSED RECENTLY WITH DEPUTY GENERAL COUNSEL CECIL HUNT. HE INDICATED THAT THE POLITICS OF THE CASE WOULD MAKE
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PAGE 02 SANTIA 03475 032326Z

THE KENNECOTT INSURED SERIES A NOTES A MUCH HARDER QUESTION

TO MAKE PROGRESS ON.

3. WHEN THE QUESTION OF ESCUDO-DENOMINATED OBLIGATIONS CAME UP, I REMINDED INOSTROZA OF THE FAILURE OF THE CHILEAN GOVERNMENT TO MAINTAIN SERVICING ON AID LOANS PAYABLE IN ESCUDOS. INOSTROZA PROMISED TO RAISE THIS MATTER ONCE AGAIN AT THE CENTRAL BANK.
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30 JUN 2005

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